

1 **ORIGINAL**

BEFORE THE ARIZONA CORPORATION COMMISSION



0000111701

2 COMMISSIONERS

3 **RECEIVED**

4 **KRISTIN K. MAYES, Chairman**

5 **GARY PIERCE**

2010 MAY 18 A 8:59

6 **PAUL NEWMAN**

7 **SANDRA D. KENNEDY**

AZ CORP COMMISSION
DOCKET CONTROL

8 **BOB STUMP**

Arizona Corporation Commission

DOCKETED

MAY 18 2010

DOCKETED BY

9 IN THE MATTER OF THE APPLICATION OF
10 ARIZONA-AMERICAN WATER COMPANY, AN
11 ARIZONA CORPORATION, FOR THE
12 DETERMINATION OF THE CURRENT FAIL VALUE
13 OF ITS UTILITY PLANT AND PROPERTY AND FOR
14 INCREASES IN ITS RATES AND CHARGES BASED
15 THEREON FOR UTILITY SERVICE BY ITS ANTHEM
16 WATER DISTRICT AND ITS SUN CITY WATER
17 DISTRICT.

Docket No. W-01303A-09-0343

18 IN THE MATTER OF THE APPLICATION OF
19 ARIZONA-AMERICAN WATER COMPANY, AN
20 ARIZONA CORPORATION, FOR THE
21 DETERMINATION OF THE CURRENT FAIL VALUE
22 OF ITS UTILITY PLANT AND PROPERTY AND FOR
23 INCREASES IN ITS RATES AND CHARGES BASED
24 THEREON FOR UTILITY SERVICE BY ITS
25 ANTHEM/AGUA FRIA WASTEWATER DISTRICT AND
26 ITS SUN CITY WEST WASTE WATER DISTRICT.

Docket Nos. W-01303A-09-0343

**SUMMARY TESTIMONY OF
MARSHALL MAGRUDER**

17 MAY 2010

27 Marshall Magruder, a Santa Cruz County Arizona American Water Tubac Water
28 District customer, an Intervenor files this Summary Testimony. The issues include

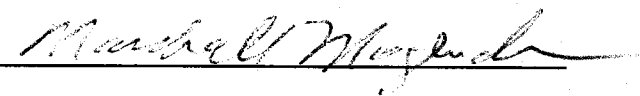
- 29 a. Rate Consolidation and Rate Structure Design for all water districts and rate categories
- 30 b. Rate Consolidation for all sewage water districts
- 31 c. Rate Structures designed to provide a lowest rates for lowest consumption users and
- 32 increasingly higher rates for the highest consumption users to conserve water
- 33 throughout Arizona by sending "price signals" to the highest consuming water users
- 34 d. Rate Structures designed to include five tiers (inclined blocks), so that customers can
- 35 "see" and move from one rate to a lower rate more easily, by using less water.
- e. Consolidation of all "Fees and Miscellaneous Charges" into one schedule
- f. Consolidation of the Company's "Rules and Regulations" into one document
- g. "Water Demand Side Management (DSM) program with specified performance
- measurement objective criteria and goals for all rate categories including water audits
- h. Both Incentives and Penalties for decreased or increased water losses, respectively.

I certify this filing has been emailed provided to the parties on the Service List.

Respectfully submitted on this 17th day of May 2010

MARSHALL MAGRUDER

By


Marshall Magruder
PO Box 1267
Tubac, Arizona 85646-1267
(520) 398-8587
marshall@magruder.org

Service List

Original and 13 copies of the foregoing are filed this date with:

Docket Control (13 copies)

Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007-2927

Tenna Wolfe, Administrative Law Judge
Commissioner's Aides (5)
Maureen Scott, Attorney
Robin R. Mitchell, Attorney

Additional Distribution (1 copy each) are filed this date by email:

Dan Pozefsky, Chief Counsel
Residential Utility Consumer Office (RUCO)
1110 West Washington Street, Ste 220
Phoenix, Arizona 85007-2958

Norman D. James
Fennemore Craig, PC
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012

Thomas Broderick
Arizona American Water
19820 N. 7th Street, Suite 201
Phoenix, Arizona 85024

Andrew Miller, Town Attorney
Town of Paradise Valley
6401 East Lincoln Drive
Paradise Valley, Arizona 85353-4328

Joan S. Burke
Law Office of Joan S. Burke
1650 North First Avenue
Phoenix, Arizona 85003

Michael Patten and Timothy J. Sabo
Roshka DeWuld & Patten PLC
400 East Van Buren Suite 800
Phoenix, Arizona 85004-2262

Thomas H. Campbell
Michael Hallam
Lewis and Rocca, LLP
40 North Central Avenue, Suite 1900
Phoenix, Arizona, 85004

Creg Patterson
916 West Adams Street, Suite 3
Phoenix, Arizona 85007

Jeff Crockett and Robert Metli
Snell & Wilmer
One Arizona Center
400 East Van Buren Street
Phoenix, Arizona 85004-2202

Lawrence V. Robertson, Jr.
PO Box 1448
Tubac, Arizona 85646-1148

Judith M. Dworkin
Sacks Tiernery PA
4250 N. Drinkwater Blvd, Fourth Floor
Scottsdale, Arizona 85251-3693

Larry Woods
13815 East Camino Del Sol
Sun City West, Arizona 85375

Copy of the foregoing mailed on this date to:

Philip H. Cook
10122 West Signal Butte Circle
Sun City, Arizona 85373

Bradley J. Herrema and Robert J. Saperstein
Brownstein Hayatt Farber Schreck, LLP
21 East Carillo Street
Santa Barbara, CA 93101

W.R. Hansen
12302 West Shallow Drive
Sun City, Arizona 85024

SUMMARY TESTIMONY OF MARSHALL MAGRUDER

Marshall Magruder is an Arizona-American Water Company ratepayer in Santa Cruz County and an individual Intervenor party in the Last Rate Case and the Rate Consolidation Phase.

He has provided testimony on seven issues including proposals for

- Water District Rate Consolidation
- Wastewater District Rate Consolidation
- Water Conservation-oriented Rate Structure Design
- Consolidated Fees and Miscellaneous Charges
- Consolidated Rules and Regulations
- Water Demand Side Management Program
- Water Loss Management Program with Incentives and Disincentives

His testimony includes use of the Company's Consolidated Rate model, version 3, to develop consolidated rates so the Total Revenue for the Company remains as from the last rate case for all districts. He adjusted the Service Charge and rate tiers, using the same for all districts while maintaining the Total Revenue requirements.

The rates are the same for all rate categories. There are five residential and four commercial tiers that varied from \$0.83 per 1,000 gallons for the First (residential) Tier, \$1.90 for Second Tier, \$2.96 for Third Tier, \$3.50 for Fourth Tier and \$6.00 for Fifth Tier. These tiers provide fair and reasonable rates for all customers by adjusting the width of each tier by rate category.

The Service Charges were also adjusted to meet the Total Revenue requirement.

The First (residential) was designed to provide a very low cost for water, as a "lifeline" rate, so the first 4,000 gallons only would cost \$3.32 that should cover customer needs for health, sanitary and food and also to be considered as a "low income" rate without the administrative burdens that result on the Company. With the 5/8- & 3/4-inch residential rate having a Service Charge of \$15.00, then the lifeline would cost less than \$18.32. As more water is consumed, higher tiers are designed to send price signals to customers to conserve or pay more.

The proposed revenue changes, for residential and commercial customers, by district.

<u>Water District</u>	<u>Residential</u>	<u>Commercial</u>
Sun City	Decrease 4%	Increase 22%
Sun City West	Decrease 21%	Decrease 3%
Agua Fria	Decrease 8%	Increase 5%
Anthem	Decrease 5%	Increase 15%
Tubac	Decrease 3%	Decrease 10%
Mohave	Increase 2%	Increase 17%
Havasu	Decrease 8%	insignificant
<u>Paradise Valley</u>	<u>Increase 32%</u>	<u>Increase 29%</u>
Company Total	Decrease 3%	Increase 13%

These revenue changes account for the higher rates for more consumption. This one-time adjustment establishes "fair and reasonable" rates for all customers, as specified in the Arizona Constitution, reduce future rate shock and provide uniform rates in the long-term.

The Consolidated Rates for wastewater he submitted by the Company are fair and reasonable; however, some open issues remain in his Rebuttal of 14 May 2010.

The Company accepted his proposal for consolidated fees and miscellaneous charges.

1 His proposal for Consolidated Rules and Regulations remains open.

2 The establishment of a Water Demand Side Management (WDSM) program should be
3 implemented as recommended due to the critical impacts on Company revenues by
4 reduced demand expected when his proposed conservation-oriented Rate Structure is
5 implemented. Further, provisions for commercial WDSM programs, due to the 13% overall
6 revenue increase, should have significant impacts on future costs in that rate class.

7 Overall, he presented a comprehensive package with significant benefits from
8 consolidation emphasized in the design of the Rate Structure design, especially with higher
9 rates for highest consumers and a "lifeline" rate for low-income customers.
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35